

TOROMONT

Industrial Holdings Ltd/1972 Annual Report

TOROMONT

Industrial Holdings Ltd/1972 Annual Report

TOROMONT

Industrial Holdings Ltd/1972 Annual Report

TOROMONT







**TOROMONT INDUSTRIAL HOLDINGS LTD.**  
and Subsidiaries

**AUG 11 1972**

**CONSOLIDATED STATEMENT OF OPERATIONS  
AND RETAINED EARNINGS**

for the Twelve Months ended June 30, 1972  
(with comparative figures for the twelve months ended June 30, 1971)

	12 Months Period Ended June 30	
	1972	1971
	\$000's	
<b>UNAUDITED</b>		
Sales: Engineered Systems	\$10,124	\$13,167
Engineered Products	8,160	7,482
Building Products	6,837	5,755
Total Sales	\$25,121	\$26,404
Earnings before undernoted items	\$ 1,784	\$ 788
Provision for income taxes	942	185
Provision for minority interests in earnings of subsidiaries	45	34
Earnings from operations	797	569
Gain on disposal of real estate	—	187
Provision in respect of CIMCO Limited contracts in progress at beginning of 1970	—	(549)
Earnings before extraordinary item	797	207
Reduction of income taxes due to losses carried forward from prior years	177	—
Net earnings for the period	974	207
Retained earnings (deficit) beginning of period	20	(130)
Quarterly dividends on preferred shares	104	57
Retained earnings end of period	\$ 890	\$ 20
Earnings per common share(1)		
Before extraordinary item	17.0¢	3.4¢
After extraordinary item	21.1¢	3.4¢

(1) Based on 4,333,644 common shares outstanding and after provision for dividends on 91,275 preferred shares, Series A.

**NOTE:** The financial year end is December 31.

**Toromont Group of Companies**

**AUG 11 1972**

**Engineered Systems**

CIMCO Limited

**Engineered Products**

Clare Brothers Limited

El-Met-Parts

Viking Pump Company of Canada, Limited

**Building Products**

Lloyd-Truax Limited

F. B. McFarren Limited

**Head Office**

65 Villiers Street

Toronto 2, Ontario

**General Counsel**

Blake, Cassels & Graydon

**Auditors**

Touche Ross & Co.

Chartered Accountants

**Transfer Agent and Registrar**

Crown Trust Co.

Toronto and Montreal

**Common Shares**

Listed on the

Toronto Stock Exchange

Montreal Stock Exchange

**Bankers**

The Royal Bank of Canada, Toronto

Canadian Imperial Bank of Commerce, Toronto

**TOROMONT**  
**INDUSTRIAL HOLDINGS LTD.**

**INTERIM REPORT  
TO SHAREHOLDERS**

SIX MONTHS ENDED JUNE 30, 1972



## To the Shareholders

In this Interim report we are presenting for the first time, in addition to our usual six months data, a schedule showing the results for a full twelve month period ending on June 30th, 1972. We are also providing a break-down of sales by major product groups.

Each subsidiary earned a profit in the period; more significantly each showed a profit improvement over the same period in 1971. Net earnings for the 6 months period, after extraordinary and non-recurring items, were \$203,000 or 4.0¢ per common share compared with \$66,000 or .8¢ per common share in 1971.

Sales of Engineered Products and Building Products in total were ahead of last year by 9%. The decline in sales of Engineered Systems resulted from the termination, in late 1971, of CIMCO's unprofitable Mechanical Division.

The improvement in earnings, the continued progress in control of operating costs, and the increasing penetration of markets give cause for confidence in our future. Your company has achieved a major penetration in the fast growing leisure market in the United States for hockey and skating rinks and arenas; this year to date we have obtained orders for refrigeration systems for these rinks in excess of \$2,000,000.

As we have previously reported to you, because of the seasonal nature of the industries we serve a substantial portion of the profits of your company is earned in the last four months of the calendar year — this trend will continue in 1972. In order to provide you with a more representative picture of our operating results we have decided to include with our interim reports a schedule showing sales and earnings for the twelve months ending each quarter.

We believe business activity will remain strong for the balance of the year. We expect after tax earnings for the full year 1972 to exceed 23¢ per common share after full allowance for preferred dividends.

## TOROMONT INDUSTRIAL HOLDINGS LTD. and Subsidiaries

### CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS for the Six Months ended June 30, 1972 (with comparative figures for 1971)

	\$000's	
	1972	1971
<b>UNAUDITED</b>		
Sales: Engineered Systems (Note 1)	\$ 4,200	\$ 5,477
Engineered Products	3,963	3,739
Building Products	3,117	2,762
Total Sales	\$11,280	\$11,978
Earnings before undernoted items:	\$ 428	\$ 196
Provision for income taxes	240	156
Provision for minority interests in earnings of subsidiaries	17	18
Earnings from operations	171	22
Gain on disposal of real estate	—	44
Earnings before extraordinary item	171	66
Reduction of income taxes due to losses carried forward from prior years	32	—
Net earnings for the period	203	66
Retained earnings (deficit) beginning of period	717	(46)
Quarterly dividends on preferred shares	30	—
Retained earnings end of period	\$ 890	\$ 20
Earnings per common share: (Note 2)		
Before extraordinary item	3.3¢	.8¢
After extraordinary item	4.0¢	.8¢

Note 1: Decline in sales due to termination, in late 1971, of CIMCO's unprofitable Mechanical Division.

Note 2: Based on 4,333,644 common shares outstanding and after provision for dividends on 91,275 preferred shares, Series A.

### CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS for the Six Months ended June 30, 1972 (with comparative figures for 1971)

	\$000's	
	1972	1971
<b>UNAUDITED</b>		
Source of Funds		
From operations	\$ 203	\$ 22
Net earnings for the period		
Adjustment for charges not requiring use of funds		
Depreciation and amortization of fixed assets	141	163
Minority interest in earnings of subsidiaries	17	18
Recovery of pension charges	(10)	—
Funds provided from operations	\$ 351	\$ 203
Disposal of fixed assets	6	74
Decrease in non current bills receivable	12	29
	\$ 369	\$ 306
Application of Funds		
Additions to fixed assets	\$ 166	\$ 56
Decrease in long term debt	14	36
Dividends paid to minority shareholders	17	18
Dividends on preferred shares	30	—
Redemption of preferred shares of subsidiary	18	18
Purchase of shares in a subsidiary	2	—
Sundry	—	5
	\$ 247	\$ 133
Increase in working capital	\$ 122	\$ 173

S. J. SINCLAIR  
Chairman of the Board



**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of the Shareholders of Toromont Industrial Holdings Ltd. (hereinafter called the "Company") will be held in the Quebec Room of the Royal York Hotel, Toronto, Ontario on the 28th day of March, 1972 at the hour of 11:00 in the forenoon for the following purposes:

- (a) To receive the report of the Directors and to receive and, if thought fit, approve the consolidated financial statements of the Company and its subsidiary companies for the fiscal year ended December 31, 1971, together with the report of the auditors thereon;
- (b) To consider and, if thought fit, sanction, with or without variation, By-Law No. 13 of the Company being a by-law increasing the number of common shares reserved for the Incentive Stock Purchase Plan instituted under By-Law No. 11 from 100,000 to 288,750;
- (c) to elect directors;
- (d) To appoint auditors and to authorize the directors to fix their remuneration;
- (e) To transact such other business as may properly come before the meeting or any adjournment thereof.

DATED at Toronto, Ontario, this 6th day of March, 1972.

By Order of the Board of Directors

F. KRUBERG,  
Secretary

**NOTE:**

If you are unable to attend the meeting in person please date and sign the enclosed form of proxy and return it in the envelope provided for that purpose.

A copy of the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 1971, a copy of an information circular and a form of proxy accompany this notice.

A copy of By-Law No. 13 will be available at the meeting.



# TOROMONT INDUSTRIAL HOLDINGS LTD.

## PROXY INFORMATION CIRCULAR

### SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by the Management of Toromont Industrial Holdings Ltd. (the Company) for use at the Annual Meeting of Shareholders of the Company to be held at the time and place and for the purposes set forth in the notice of meeting and at any adjournment or adjournments thereof. The solicitation will be primarily by mail, but proxies may also be solicited personally by regular employees of the Company. The cost of solicitation by management will be borne by the Company.

### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING MAY DO SO** by inserting such person's name in the blank space provided in the form of proxy and striking out the names of the three specified persons or by completing another proper form of proxy and, in either case, delivering the completed proxy to the Secretary of the Company at least 48 hours before the time of the meeting.

A shareholder who has given a proxy may revoke it, as to any motion on which a vote has not already been cast pursuant to the authority conferred by it, by an instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Company on or before the day preceding the day of the meeting or adjournment thereof at which the proxy is to be used, or with the Chairman of such meeting on the day of the meeting or adjournment thereof.

### EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. In the absence of such direction **SUCH SHARES WILL BE VOTED FOR THE SANCTION OF BY-LAW No. 13, THE APPROVAL OF THE AUDITOR'S REPORT AND FINANCIAL STATEMENTS, AND FOR THE ELECTION OF DIRECTORS AND THE APPOINTMENT OF AUDITORS AS STATED UNDER THOSE HEADINGS IN THIS CIRCULAR OR WITHHELD FROM VOTING IF SO INDICATED ON THE FORM OF PROXY.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

### VOTING SHARES

The Company has outstanding 4,333,644 common shares without par value of the capital stock and each of such shares carries the right to one vote at the meeting.

### BY-LAW No. 13

This meeting is also called for the purpose of considering, and if thought fit, sanctioning, with or without variation, By-Law No. 13 passed by the board of directors on September 28, 1971.

On June 28, 1971, By-Law No. 11, providing for an Incentive Stock Purchase Plan, was sanctioned and confirmed by the shareholders. Under the terms of the by-law, 100,000 common shares in the capital stock of the Company are reserved for such a stock purchase plan and the directors are authorized to make such rules and regulations with respect thereto as they shall deem advisable.

On September 28, 1971, the board of directors enacted By-Law No. 13, increasing the number of common shares in the capital stock of the Company reserved for the Incentive Stock Purchase Plan under By-Law No. 11, from 100,000 to 288,750. Concurrently with the enactment of By-Law No. 13, the board of directors terminated the Incentive Stock Option Plan instituted under By-Law No. 8 and cancelled the reservation of 188,750 common shares held for option under this plan. An option for the purchase of 12,500 shares at \$1.50 per share will expire May 31, 1972 if not exercised by that date.

**The above description of By-Law No. 13 does not purport to be complete and reference is made to the complete text of the said by-law which will be available at the meeting.**



## ELECTION OF DIRECTORS

The board consists of ten directors. The by-laws of the Company provide that the directors shall hold office from the date of the meeting at which they are elected until the Annual Meeting next following or until their successors are elected. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are submitted herewith. The management is not presently aware that any such nominee would be unwilling to serve as a director if elected. In the event that prior to the meeting any vacancies occur in the slate of nominees submitted herewith the persons named in the enclosed form of proxy reserve the right to vote in their discretion for other nominees as directors. Each director elected will hold office until the next Annual Meeting and until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws.

The following table sets out the name of each of the persons proposed to be nominated for election as a director of the Company; all positions and offices in the Company now held by him; his principal occupation; the year in which he was first elected a director; and, the approximate number of shares of each class of the Company that he has advised are beneficially owned by him, directly or indirectly.

Name and principal occupation	Year first became a director	Common shares beneficially owned directly or indirectly	Common stock purchase warrants beneficially owned directly or indirectly
W. M. V. Ash, M.A., Toronto, Ontario Vice-President of the Company Director of several companies	1965	24,000	7,700
C. H. Franklin, Toronto, Ontario President, Algonquin Building Credits Limited President, Minaco Equipment Limited Director of several companies	—	42,050	—
D. E. Gillespie, Toronto, Ontario President, Baker, Lovick BBDO Ltd.	—	5,000	—
B. B. Lockwood, Q.C., Toronto, Ontario Partner of Blake, Cassels & Graydon	1971	100	—
A. Marcil, Montreal, Quebec Vice-President of the Company President, Marcil Mortgage Corp.	1965	16,500	7,700
General Sir N. M. Ritchie, G.B.E., K.C.B., D.S.O., M.C. Toronto, Ontario Chairman of the Board, Mercantile & General Reinsurance Co. of Canada Limited	1962	22,500	7,700
R. A. Scoon, Toronto, Ontario President of the Company	1971	88,500	—
S. J. Sinclair, Toronto, Ontario Chairman of the Board of Directors and Chief Executive Officer of the Company	1969	379,100	150,000
N. G. Van Nest, Toronto, Ontario Vice-President and Director, Wisener and Partners Company Limited	1969	80,000	22,400
D. S. Young, P.Eng., Toronto, Ontario Executive, Montreal Engineering Company Limited	1970	40,000	—

The principal occupation for the past five years of those nominees who have not been previously elected as directors by a vote of shareholders:

- (a) Mr. R. A. Scoon, President of El-Met-Parts Limited, 1970 to present; Director of Marketing, Industrial Wire & Cable Limited 1967 - 1969; Director, Secondary Manufacturing Industries, Department of Trade & Commerce 1964 - 1967.
- (b) Mr. D. E. Gillespie, President, Baker BBDO Ltd. 1969 - 1971; President, Baker Advertising Ltd. 1965 - 1969.

## REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the fiscal year ended December 31, 1971 the aggregate remuneration paid or payable by the Company

- (a) to the directors of the Company as directors was \$5,800, and
- (b) to the officers of the Company as officers was \$156,600.

No remuneration was paid or payable by the subsidiaries of the Company to any such directors or officers. The Company does not provide pension benefits for its directors and officers.

## INCENTIVE STOCK PURCHASE PLAN

During 1971, rights to purchase 255,000 common shares in the capital stock of the Company were granted to directors (who are also full time employees of the Company) and senior officers of the Company or its subsidiaries.

Date right to purchase was granted & exercised	Number of shares purchased by		Price per share	Price range of shares on Toronto Stock Exchange in 30 day period preceding granting of right to purchase
	Directors & officers of the company	Officers of the company or its subsidiaries		
May 18, 1971		40,000	\$ .93	\$ .80 - \$1.15
September 28, 1971	180,000	20,000	.95	\$ .85 - \$1.00
October 28, 1971	15,000		.95	\$ .93 - \$1.05

## APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the reappointment of Messrs. Touche Ross & Co., Chartered Accountants, Toronto, Ontario, who have been auditors of the Company for more than five years, as auditors of the Company to hold office until the next Annual Meeting of Shareholders.

Dated as of March 6, 1972





# TOROMONT

MAY 1 1973

## 1972 Annual Report

### HIGHLIGHTS AT A GLANCE

	1972	1971
Total Sales	\$27,134,000	\$25,819,000
Net Earnings	1,095,000	837,000
Retained Earnings	1,536,000	717,000
Earnings per Common Share	23.9¢	18¢
Return on Common Shareholders' Equity	14.4%	12.6%

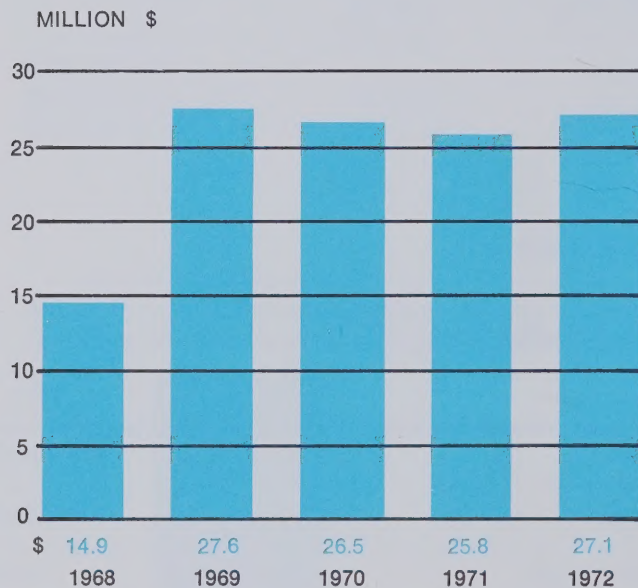
*Junior hockey in action at the Oshawa Civic Auditorium, one of three major arenas in the city with CIMCO-installed ice rinks.*



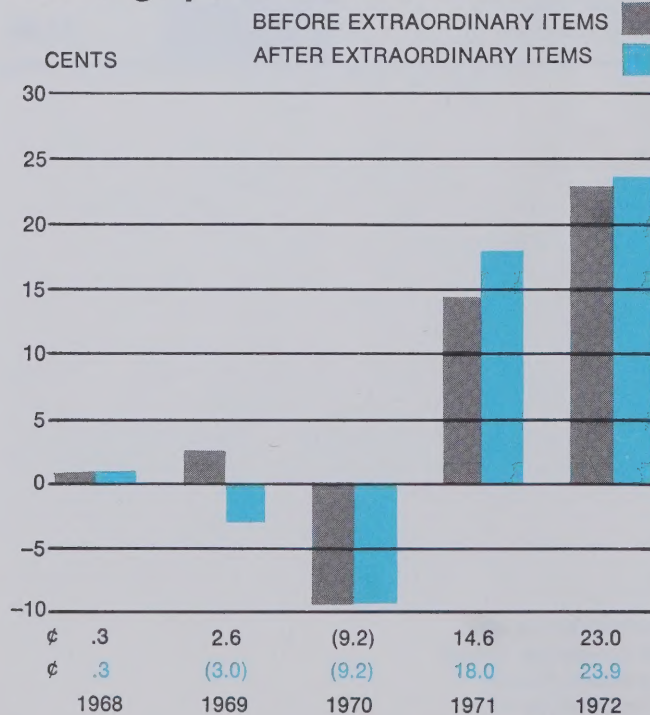
# TOROMONT

## Five year review

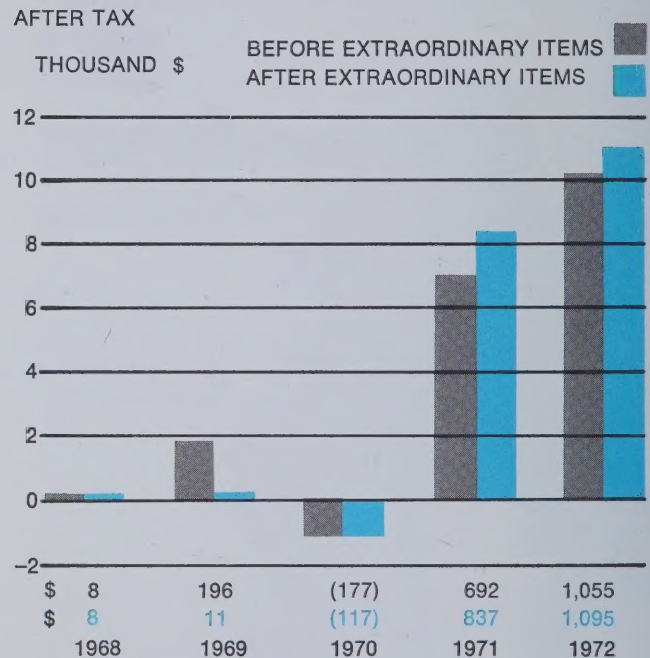
### Total Sales



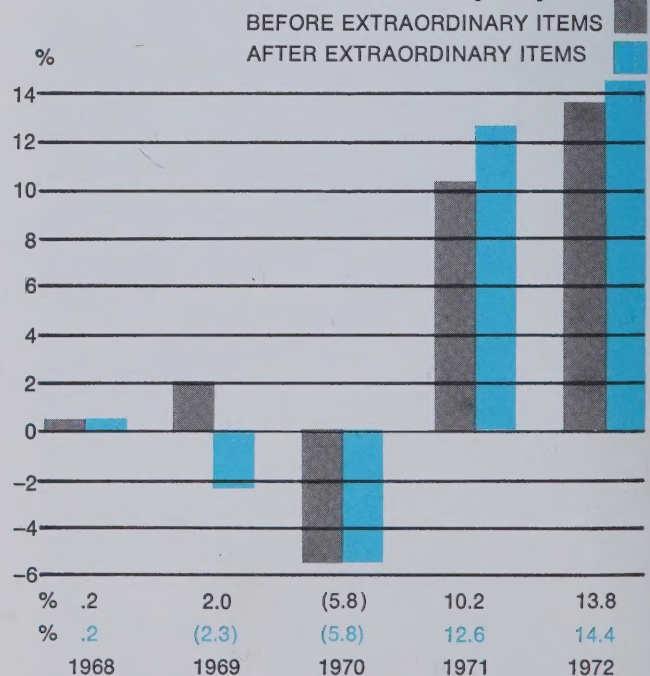
### Earnings per Common Share



### Net Earnings



### Net Earnings as a Percentage of Common Shareholders' Equity





# TOROMONT

## To the Shareholders

### The Year 1972

1972 was an important year for your Company. For the first time dollar profits were significant, confirming Toromont's profit potential. The future is promising.

Income from operations rose 52% to \$1,055,000 – 23.0¢ per common share – and represented a 13.8% return on common shareholders' equity. Total income, after extraordinary items, was \$1,095,000 or 23.9¢ per share. Each subsidiary made a contribution to the profits of your Company.

In the fourth quarter of 1972 we declared the Company's first common dividend and reported our intention to adopt a policy of paying approximately 20% of operating income in regular dividends. Current earnings and future prospects confirm the confidence reflected in this decision.

During this year we began a program of capital equipment renewal and satisfied our more urgent requirements for new machinery. Further expenditures for plant modernization are planned to improve our competitive position and to increase our profit potential.

One of the most gratifying accomplishments in 1972 was the introduction of a new plan to provide significantly improved retirement, medical and life insurance benefits for all salaried employees in the Toromont group. The cost of this improved program will not materially affect the profits of the Company and we believe the program will be highly meaningful to our people.

Previously reported legal actions are continuing against the former majority shareholders of

CIMCO Limited and against CIMCO's former auditors, in amounts totalling \$4,000,000. The Examination for Discovery in the action against the auditors is nearing its conclusion; the action against the former shareholders is at an earlier stage.

### Acquisitions

Our subsidiary, CIMCO, has further strengthened its ability to serve the food, beverage and petrochemical industries by the acquisition of Allen Tank Limited and Happy Air Exchangers (Canada) Limited. Mr. N. J. Lucas, President of Allen Tank Limited, has been appointed President of CIMCO. Toromont facilitated these acquisitions by purchasing 39,500 common shares and 25,000 Class 'A' shares of CIMCO treasury stock in 1972; Toromont now owns 99.9% of the common shares and 97.4% of the Class 'A' shares of CIMCO. CIMCO produced a record profit in 1972 and continued growth is projected.

On January 15, 1973 we announced plans to acquire a 72% interest in Lewis Refrigeration Co. in exchange for the transfer to Lewis of Toromont's shares in CIMCO Limited. Since that date intensive studies and negotiations have continued



and on April 12 a final agreement was reached whereby Toromont will purchase, for \$2,100,000 cash (U.S. dollars), 600,000 treasury shares of Lewis, thus acquiring a 61% interest. The agreement also gives Toromont a two-year option on a further 100,000 Lewis shares at \$5.00 (U.S. dollars) per share. Toromont's holdings of CIMCO shares will not be affected. An increase in the authorized capital stock of Lewis is required to make this transaction possible and is subject to Lewis shareholder approval. A meeting for this purpose is expected in early June.

Lewis, the bulk of whose business is in the U.S., closely parallels CIMCO in its operations. It has specialized in the design, manufacture and installation of equipment and systems for the frozen food and petrochemical industries. The Lewis patented fluidized I.Q.F. freezer has been a leading product of the Company with installations throughout North America, Europe and in most other industrial countries. Lewis has plants in Woodinville (near Seattle), Houston, Atlanta, Boston, and Vancouver, B.C., and other offices in the U.S., Canada and the U.K. Sales for the 1972 fiscal year were \$13 million. Lewis shares are traded over the counter in Seattle.

The financial results of Lewis have been unsatisfactory for the last three years. It is the opinion of your management, however, armed with the considerable experience of CIMCO, that the affiliation of Lewis with Toromont will quickly improve Lewis profits and lead to a substantial increase in market penetration in the refrigeration industry.

During the last year your Company has carefully examined a number of other acquisition prospects. Although no agreements have as yet been reached, we are in a position to act vigorously when presented with an attractive opportunity. In order to have this flexibility of decision, we have negotiated substantial lines of credit with our bankers. Subject to normal approvals, these will make available up to \$12 million for working capital, for expansion of our current operations and for acquisitions.

#### **The Year Ahead**

Economic activity in Canada and the U.S. promises to remain strong throughout 1973. We expect to share in this strength and to continue the growth pattern now established.

#### **In Appreciation**

Your Company will sorely miss Mr. W. M. V. Ash, General Sir Neil M. Ritchie and Mr. D. S. Young who have decided not to stand for re-election to the Board of Directors. With sincere appreciation for their long service, we wish them every happiness in the future.

With any organization, success springs from its people. Our congratulations and thanks are extended to our employees for the results reflected in this report.

S. J. Sinclair  
*Chairman of the Board*  
April 12, 1973



# The Toromont Group of Companies

**Toromont's progress depends on the strength of its companies. These provide services and products to several growing segments of Canadian industry. Because of this, Toromont can look forward with confidence to continued growth. On these pages, we present brief profiles of the companies and their operations.**

## El-Met-Parts

J. Papakyriakou, *General Manager*

El-Met-Parts, established in 1947, was acquired by Toromont in 1963. It manufactures stamped steel laminations and wound magnetic cores for the electrical and electronic industries. These products are basic components of transformers, motors and fluorescent and mercury lighting ballasts.

El-Met is the largest manufacturer of its kind in Canada and has developed a growing export market for its products. The increasing complexity of electrical and electronic equipment creates a strong demand for specialized expertise which El-Met's engineering staff is well qualified to supply.

At its 40,000 square foot plant in Dundas, Ontario, El-Met has a complete facility for the design,

construction and maintenance of tool steel and carbide dies. It operates a large battery of high-speed, automatic presses from 10 to 250 tons, custom-designed winding machines, and controlled atmosphere furnaces in which the magnetic properties of the products are optimized. El-Met-Parts maintains a sophisticated quality control laboratory and works constantly with customers to improve its present line and to develop new products.

During the year, El-Met-Parts Limited was wound up and operations of the Company are now continued as El-Met-Parts, Division of Toromont Industrial Holdings Ltd.



# The Toromont Group of Companies

## CIMCO Limited

N. J. Lucas, *President*

The refrigeration systems for more than 1,200 ice rinks in Canada and the U.S. have been installed by CIMCO. The world of hockey, curling and skating thus looks to CIMCO as the leader and has done so since 1927.

The mainstay of the Company's industrial refrigeration business has been the design and installation of refrigeration systems for food and beverage processing and storage, and its experience in this activity dates from 1913.

When not helping customers chill beef, cool milk and freeze ice cream and specialty foods, CIMCO has applied its expertise in mine freezing, concrete cooling for dam construction, on-board tuna storage, and other custom-designed applications.

A modern manufacturing plant in Toronto supplies many of the requirements of the systems installed by CIMCO's contracting division – notably air handling units and pre-packaged component systems. Among the Company's staff of 350 are some of the most capable refrigeration engineers in North America. Twelve offices and service centres across Canada provide for customer needs.

CIMCO's capabilities to serve its customers have recently been strengthened by the acquisition of Allen Tank Limited and Happy Air Exchangers (Canada) Limited.

## ALLEN TANK LIMITED

### HAPPY AIR EXCHANGERS (CANADA) LIMITED

Through quality steel fabrication Allen Tank has gained a national reputation in the brewing, wine, food processing, chemical and petrochemical industries in Canada. Major products are pressure vessels, fermenting and aging tanks, food and beverage processing tanks, storage bins and industrial furnaces.

The 'bread-loaf' design of brewery fermentation tanks has been one of the most successful products designed and developed by Allen Tank, and has contributed to the Company's competitive capabilities.

Based in London, Ontario, with a well-equipped plant in Toronto, the Company is in a strong position as a supplier to expanding industries.

Happy Air Exchangers (Canada) Limited, an affiliate of Allen Tank, produces air-cooled heat exchangers for cooling gas and liquids, and to act as condensing units. Sales, for the most part, are to the chemical, gas and petrochemical industries. Manufacturing is in London, Ontario.

Both Allen Tank and Happy Air Exchangers were acquired by CIMCO Limited, effective January 1, 1973. Products and markets of all three companies are complementary in many ways, and considerable strength will be gained by each company.

## Clare Brothers Limited

P. V. Burke, *President*

Clare Brothers Limited dates from 1840 when as a foundry it made coal and wood stoves and small equipment for the farmers around Preston, Ontario, and expanded with the development of Western Canada. Acquired by Toromont in 1964, the Company is now marketing across the country a broad line of space heating equipment of its own manufacture and related comfort air conditioning equipment under private label.

The plant, still located in Cambridge (formerly Preston), Ontario, produces gas-fired, oil-fired, and electric warm air furnaces for residential and commercial use, suspended type gas-fired unit heaters for commercial and industrial use, and propane gas cooking stoves for house trailers, camper trucks and similar vehicles in the growing recreational vehicle market.

The Company sells its heating and air conditioning products to factory-trained dealer contractors in the Ontario market and through wholesalers elsewhere. The cooking stoves are sold directly to Canadian manufacturers of recreational vehicles.



## **Lloyd-Truax Limited**

*C. D. Lloyd, President*

Lloyd-Truax Limited ranks high among the major wood door manufacturers in Canada. A complete line of flush, panel and louvered doors are produced under the well known trade name 'Lloyd Doors.' In Ontario, the Company also handles related building material lines, notably Weiser Locks and Berry Garage Doors.

Customers include retail lumber dealers and wholesale distributors throughout the country. Export business to the United Kingdom and other parts of Europe was started in 1967 and these markets continue to provide good growth potential.

Manufacturing plants totalling 200,000 square feet are located in Wingham and Walkerton, Ontario. Warehouses and sales offices are in Toronto, Ottawa and Calgary.

For nearly a century Lloyd Doors have been recognized for quality and design throughout the Canadian construction industry. The extreme care taken in vital kiln drying and lumber processing operations is just one example of the quality approach taken at all stages of production.

Fully recognizing the importance of new product development in a world of changing tastes, Lloyd-Truax looks forward to increased participation in Canada's growth.

## **F. B. McFarren, Limited**

*J. A. Simpson, President*

F. B. McFarren, Limited operates a burned clay brick manufacturing plant and shale quarry on a 61-acre site in the Town of Mississauga. Almost unlimited reserves of shale underlie the site. The operation is ideally located in the centre of the booming construction market of Metropolitan Toronto and close to other major centres of Southern Ontario.

This 60-year-old Company produces brick in a full range of distinctive colours, textures and popular sizes. The Company is justly proud of the thousands of distinctive homes, apartments, schools, institutional, commercial and industrial structures erected with its product over the years. In conjunction with the architectural profession and the construction trades involved, buildings clad with McFarren bricks have won awards in the O.M.R.C. Design Award and Design Canada Unit Masonry Award competitions.

Paving brick, made from burned shale, is used in pedestrian walkways, patios and malls. Many municipalities in Southern Ontario use the 'lug paver' in roadways and gutters.

## **Viking Pump Company of Canada, Limited**

*R. A. Scoon, President*

Viking is a major manufacturer of pumping equipment to handle the transfer of liquids or fluids in the petroleum, industrial, chemical, process, marine and refrigeration industries.

Viking's name is recognized as the leader in the rotary pump field and is the only manufacturer in Canada for its type and range of rotary pump equipment.

Manufacturing facilities are in Windsor, Ontario, and the products are marketed through Viking's offices and distributors in all major cities across the country, each possessing engineering sales, stock and service facilities.

The Company is currently in the final stages of an extensive program of new product developments and updating of marketing and engineering information. This undertaking will permit Viking to improve and strengthen its position in the Canadian market and allow it to aggressively pursue business in export markets.



# TOROMONT

INDUSTRIAL HOLDINGS LTD.  
(Incorporated under Canada Corporations Act)  
AND SUBSIDIARIES

## Consolidated Balance Sheet

(Thousands of dollars)

### ASSETS

	December 31	
	1972	1971
<b>Current assets</b>		
Cash .....	\$ 858	\$ 363
Marketable securities, at cost (market value, \$274) .....	216	—
Accounts receivable .....	5,880	4,678
Inventories, valued at the lower of cost and net realizable value ..	3,885	3,316
Prepaid expenses .....	159	106
	<u>10,998</u>	<u>8,463</u>
<b>Other assets</b>		
Notes receivable from employees (Note 4) .....	245	241
Sundry investments and receivables (Note 2) .....	681	683
	<u>926</u>	<u>924</u>
<b>Fixed assets</b>		
Buildings and equipment, at cost .....	7,228	7,038
Less accumulated depreciation .....	4,397	4,169
	<u>2,831</u>	<u>2,869</u>
Land, at cost .....	72	73
	<u>2,903</u>	<u>2,942</u>
<b>Deferred charges and intangibles</b>		
Goodwill, at cost .....	1,356	1,017
Commission on shares issued (Note 5) .....	—	150
Sundry items .....	117	85
	<u>1,473</u>	<u>1,252</u>
	<u>\$16,300</u>	<u>\$13,581</u>

On behalf of the Board  
S. J. Sinclair, *Director*  
R. A. Scoon, *Director*



## LIABILITIES

	December 31	
	1972	1971
Current liabilities		
Bank indebtedness (approximately \$1,765 secured) .....	\$ 1,929	\$ 1,216
Accounts payable .....	3,919	2,957
Dividends payable .....	231	84
Taxes on income (net) .....	545	190
Long-term debt – current portion .....	59	83
	<u>6,683</u>	<u>4,530</u>
Long-term debt, less current portion (Note 3) .....	196	255
Deferred income taxes .....	385	358
Minority interest in consolidated net assets (Note 1) .....	257	326
	<u>7,521</u>	<u>5,469</u>

## SHAREHOLDERS' EQUITY

Capital stock (Note 4) .....	6,858	6,864
Contributed surplus (Note 5) .....	385	531
Retained earnings .....	1,536	717
	<u>8,779</u>	<u>8,112</u>
	<u><u>\$16,300</u></u>	<u><u>\$13,581</u></u>



# TOROMONT

INDUSTRIAL HOLDINGS LTD.

AND SUBSIDIARIES

## Consolidated Statement of Earnings and Retained Earnings

(Thousands of dollars)

	Year Ended December 31	
	1972	1971
Sales		
Engineered systems .....	\$11,743	\$11,401
Engineered products .....	8,269	7,936
Building products .....	7,122	6,482
Total sales .....	<u>\$27,134</u>	<u>\$25,819</u>
Earnings before income taxes, minority interest and extraordinary item .....	\$ 2,190	\$ 1,605
Provision for income taxes		
Current .....	1,083	746
Deferred .....	27	121
	<u>1,110</u>	<u>867</u>
Earnings before minority interest .....	1,080	738
Minority interest in net earnings of subsidiaries .....	25	46
Earnings before extraordinary item .....	<u>1,055</u>	<u>692</u>
Reduction of income taxes due to losses carried forward from prior years .....	40	145
Net earnings for the year .....	<u>1,095</u>	<u>837</u>
Retained earnings (deficit) at beginning of year .....	717	(46)
	<u>1,812</u>	<u>791</u>
Dividends declared		
Preferred .....	59	74
Common - 5¢ per share .....	217	-
	<u>276</u>	<u>74</u>
Retained earnings at end of year .....	<u>\$ 1,536</u>	<u>\$ 717</u>
Earnings per common share (Note 7)		
Before extraordinary item .....	23.0¢	14.6¢
After extraordinary item .....	23.9¢	18.0¢



# TOROMONT

INDUSTRIAL HOLDINGS LTD.  
AND SUBSIDIARIES

## Consolidated Statement of Source and Application of Funds

(Thousands of dollars)

	Year Ended December 31	
	1972	1971
Source of funds		
From operations		
Net earnings for the year .....	\$1,095	\$ 837
Adjustments for charges (credits) not involving use of funds		
Depreciation and amortization .....	300	302
Deferred income taxes, non-current portion .....	27	103
Recovery of pension charges .....	(35)	(17)
Profit on disposal of fixed assets .....	—	(53)
Funds provided by operations .....	1,387	1,172
Proceeds on disposal of fixed assets .....	—	74
Other items — net .....	4	76
	<u>1,391</u>	<u>1,322</u>
Application of funds		
Additions to fixed assets .....	260	106
Decrease in long-term debt .....	59	323
Acquisition of additional shares of a subsidiary (Note 1) .....	370	—
Dividends declared .....	276	74
Redemption of preferred shares of a subsidiary (Note 1) .....	36	36
Purchase of preferred shares for cancellation (Note 4) .....	8	1,087
	<u>1,009</u>	<u>1,626</u>
Increase (decrease) in working capital .....	382	(304)
Working capital at beginning of year .....	3,933	4,237
Working capital at end of year .....	<u>\$4,315</u>	<u>\$3,933</u>



## **Auditors' Report**

The Shareholders,  
Toromont Industrial Holdings Ltd.

We have examined the consolidated balance sheet of Toromont Industrial Holdings Ltd. and its subsidiaries as at December 31, 1972, and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Company and its subsidiaries as at December 31, 1972, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.  
Chartered Accountants

Toronto, Ontario,  
February 15, 1973.



# TOROMONT

INDUSTRIAL HOLDINGS LTD.  
AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 1972

### 1. Principles of consolidation

(a) The consolidated financial statements include the accounts of all subsidiaries. During the year the Company acquired additional shares of CIMCO Limited and now holds 99.94% of the common shares and 97.41% of the Class 'A' shares of that company.

The minority interest in the consolidated net assets and earnings includes the equity of the minority shareholders of CIMCO Limited and of the holders of the non-voting preference shares of Lloyd-Truax Limited.

(b) By the terms of an agreement with the minority preference shareholders of Lloyd-Truax Limited, the Company has undertaken to cause that subsidiary to redeem its preference shares at their par value in approximately equal quarterly instalments to 1980. At December 31, 1972, preference shares having an aggregate par value of \$253,000 were outstanding.

### 2. Sundry investments and receivables

This item includes the following:

	1972	1971
Bills and mortgages, not currently due .....	\$219,000	\$240,000
Cash surrender value of life insurance .....	60,000	55,000
Sundry investments, at cost	402,000	388,000
	<u>\$681,000</u>	<u>\$583,000</u>

### 3. Long-term debt

The following is an analysis of long-term debt:

	1972	1971
5% unsecured debentures, repayable in equal quarterly instalments to Feb. 1, 1983 ..	\$181,000	\$207,000
Sundry loans .....	74,000	131,000
	<u>255,000</u>	<u>338,000</u>
Less instalments due within one year .....	59,000	83,000
	<u>\$196,000</u>	<u>\$255,000</u>

### 4. Capital stock

(a) The authorized and issued shares of capital stock are as follows:

Authorized		
740,075 preferred shares, par value \$10 each, issuable in series		
10,000,000 common shares without par value		
	1972	1971
Issued and outstanding		
90,075 6½% cumulative, redeemable, convertible preferred shares, Series 'A' (1971, 91,275 shares)	\$ 901,000	\$ 913,000
4,336,144 common shares (1971, 4,333,644 shares)	5,957,000	5,951,000
	<u>\$6,858,000</u>	<u>\$6,864,000</u>

The preferred shares, Series 'A,' are convertible into common shares of the Company as follows:  
Up to July 14, 1975 – 5 common shares for 2 preferred shares

July 15, 1975 to July 14, 1979 – 2 common shares for 1 preferred share.

The shares are redeemable after July 15, 1974 at par value plus a premium of 3% until July 14, 1977, 2% to July 14, 1980 and 1% thereafter.

(b) During the year, the Company purchased for cancellation 1,200 of its outstanding preferred shares, Series 'A,' for a cash consideration of \$7 per share. The difference of \$4,000 between the consideration paid for these shares and their par value has been credited to contributed surplus.

(c) During the year, an additional 2,500 common shares were issued under the Company's Incentive Stock Purchase Plan for \$2.50 per share, being the market value of the shares at time of issue. The consideration is evidenced by a promissory note. The remaining aggregate balance of such promissory notes payable by executives of the Company and its subsidiaries is \$245,000 (including \$200,000 due from officers of the Company).

(d) As at December 31, 1972, common shares have been reserved for future issuance, as follows:

	Shares
Under the provisions of stock purchase warrants expiring December 31, 1973 and exercisable at \$4 per share .....	500,000
Under conversion privileges granted to the holders of preferred shares, Series 'A' – maximum common shares issuable .....	225,187
Under the Incentive Stock Purchase Plan .....	31,250
Total .....	<u>756,437</u>

Reference should also be made to Note 9.

## 5. Contributed surplus

The following is an analysis of changes in contributed surplus during the year:

Commission on shares issued, written off ..	\$150,000
Less adjustment on purchase of preferred shares for cancellation – Note 4 (b) .....	4,000
Decrease during the year .....	<u>\$146,000</u>

## 6. Statutory information

Expenditures for the year include interest on long-term debt, \$30,000 (1971, \$49,000).

Aggregate remuneration of directors and officers of the Company was as follows:

	1972		1971	
	10 directors	5 officers	10 directors	5 officers
	(4 officers were also directors)			
Remuneration paid or payable.....	\$11,000	\$195,000	\$6,000	\$157,000

## 7. Earnings per common share

Earnings per common share have been calculated using the number of common shares outstanding at the end of each year. Fully diluted earnings per common share have not been shown as the dilutive effect would not be material in either year.

## 8. Legal actions

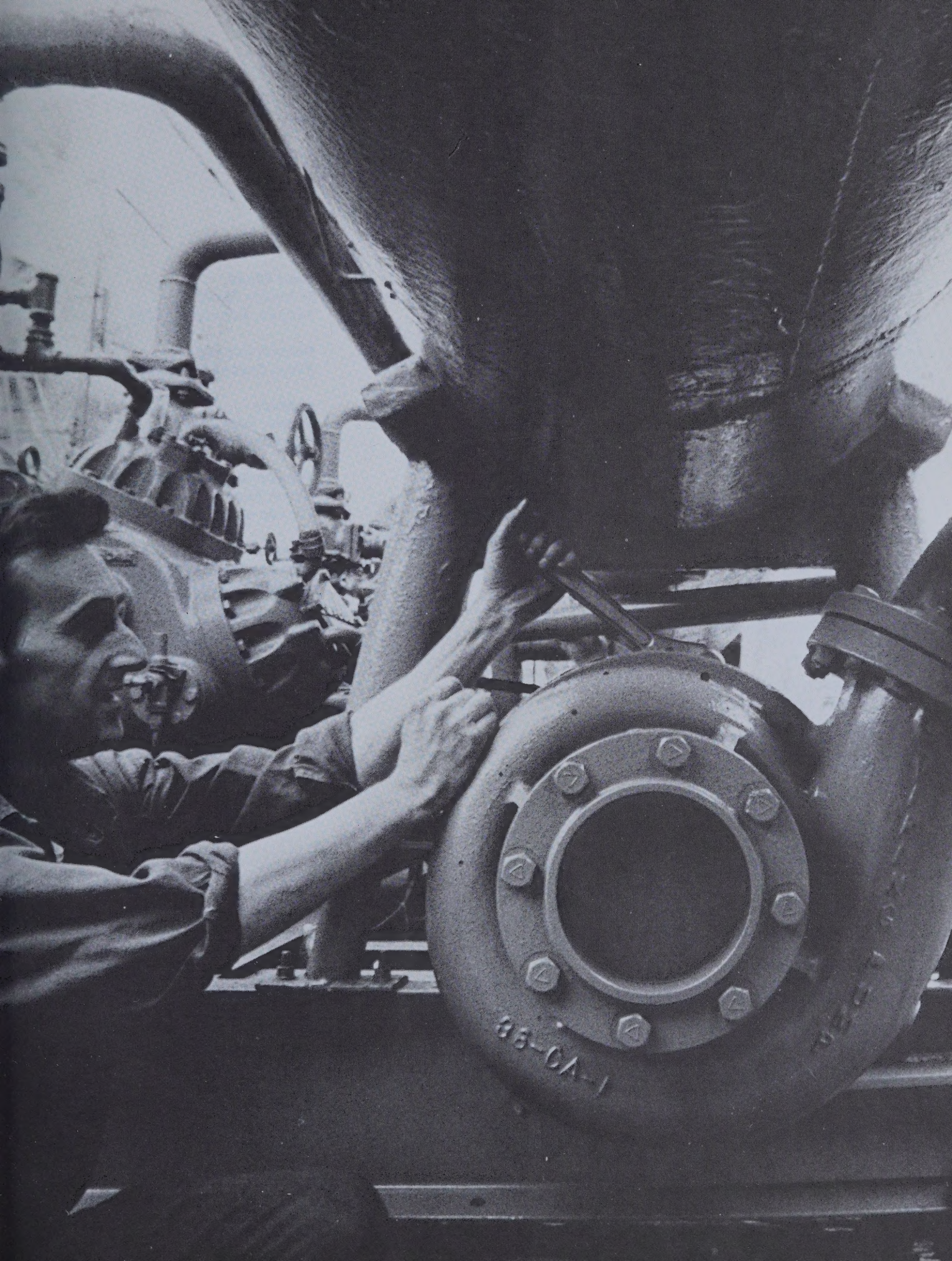
The Company and its subsidiary, CIMCO Limited, have instituted legal actions against certain parties involved in the sale of the common shares of CIMCO Limited to Toromont in April, 1969, claiming damages and recovery of losses totalling approximately \$4,000,000.

## 9. Transaction subsequent to balance sheet date

By the terms of an agreement effective January 1, 1973, the Company's subsidiary, CIMCO Limited, purchased all of the issued and outstanding shares of Allen Tank Limited and its associated company, Happy Air Exchangers (Canada) Limited. As part of the consideration for this purchase, promissory notes have been issued which are convertible at the option of the holder into common shares of Toromont at various dates to December 31, 1977 and at prices ranging from \$4 to \$7 per share. For this purpose a total of 46,627 shares of the Company's common stock have been reserved.

*A Viking rotary pump specially designed to handle ammonia is installed in a refrigeration unit at CIMCO Limited.*







### **The Board of Directors**

W. M. V. ASH, M.A., Toronto  
*Director,*  
Mercantile and General Reinsurance  
Company Ltd.  
Bank of Montreal  
The Bell Telephone Co. of Canada  
and other companies

D. E. GILLESPIE, Toronto  
*President,*  
Comcore Communications Ltd.

B. B. LOCKWOOD, Q.C., Toronto  
*Partner,*  
Blake, Cassels & Graydon

A. MARCIL, S.M., Montreal  
*President,*  
Marcil Mortgage Corp.  
*Director,*  
Mercantile and General Reinsurance  
Company of Canada Ltd.  
and other companies

GENERAL SIR N. M. RITCHIE,  
G.B.E., K.C.B., D.S.O., M.C., Toronto  
*Chairman of the Board,*  
Mercantile and General Reinsurance  
Company of Canada Ltd.  
Macdonald-Buchanan Properties Limited  
*Director,*  
Tanqueray-Gordon (Canada) Limited

S. J. SINCLAIR, Toronto  
*Chairman of the Board*  
*and Chief Executive Officer,*  
Toromont Industrial Holdings Ltd.

R. A. SCOON, Toronto  
*President,*  
Toromont Industrial Holdings Ltd.

N. G. VAN NEST, Toronto  
*President and Director,*  
Wisener and Partners Company Limited

D. S. YOUNG, P.Eng., Toronto  
*Executive,* Montreal Engineering  
Company Limited, formerly  
*President,* Powerlite Devices Ltd.

### **Officers of the Company**

S. J. SINCLAIR  
*Chairman of the Board*  
*and Chief Executive Officer*

R. A. SCOON  
*President*

W. M. V. ASH  
*Vice-President*

ANDRE MARCIL  
*Vice-President*

F. KRUBERG  
*Vice-President, Finance and Secretary*

### **Head Office**

65 Villiers Street  
Toronto, Ontario M5A 3S1

### **General Counsel**

Blake, Cassels & Graydon

### **Auditors**

Touche Ross & Co.  
Chartered Accountants

### **Transfer Agent and Registrar**

Crown Trust Co.  
Toronto and Montreal

### **Common Shares**

Listed on the Toronto Stock Exchange  
and Montreal Stock Exchange

### **Bankers**

The Toronto-Dominion Bank  
The Mercantile Bank of Canada

The Annual Meeting of the  
Shareholders of the Company  
will be held in the Royal York  
Hotel, 100 Front Street West,  
Toronto, at 11:00 a.m. on  
12th June, 1973.







